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CC:
Subject: Pittsburgh Post Gazette (8-03) Report: Well drilling violations near 1,500 for Marcellus Shale

Report: Well drilling violations near 1,500 for Marcellus Shale

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By Don Hopey, Pittsburgh Post-Gazette

A new report by the Pennsylvania Land Trust Association said the state has identified 1,435 violations by 43 Marcellus Shale drilling companies since January 2008, prompting environmental groups to call for quick legislative action to protect water and land resources.

According to Monday's report, 952 of the violations were identified as having or likely to have an impact on the environment. Those included 100 violations of the state Clean Stream Law, 268 for improper construction of waste water impoundments; 277 for poor erosion and sedimentation plans during well pad, road and piping construction; 16 for improper blowout prevention; and 154 for discharging industrial waste, including drilling waste water containing toxic chemicals, onto the ground or into streams.

About 500 of the violations were administrative or safety violations and identified as not likely to degrade the environment.

"The Marcellus Shale drilling is obviously a big thing right now, and we want people to understand what is going on with this new industry and what is happening at the well sites," said Elana Richman, project coordinator for the Land Trust Association.

The report is based on state Department of Environmental Protection enforcement records obtained through a Right to Know Request filed by the association. The records do not include violations of drilling wastewater haulers: 669 traffic violations and 818 warnings during a three-day enforcement blitz in June.

Myron Arnowitt, state director for Clean Water Action, an environmental group, called the violations "widespread" and said they demonstrated the need for updated regulation, such as that contained in House Bill 2213, introduced earlier this year by Rep. Camille "Bud" George, D-Clearfield, to protect public resources.

That bill would mandate DEP well inspections before and after drilling, prohibit wells within 1,000 feet of drinking water wells, add protections for water supplies up to a half-mile from Marcellus Shale gas wells, and require full disclosure of all hazardous chemicals used in the drilling and hydraulic fracturing of the shale rock a mile or more below the surface.

DEP has a policy to inspect all wells but is not legally required to do so, and Jeff Schmidt, director of the Sierra Club's Pennsylvania Chapter, said that has already caused environmental harm and has the potential to cause more. As an example, he cited 20 Marcellus Shale wells drilled in Dimock, Susquehanna County, by Cabot Oil & Gas Corp., that, because of poorly functioning well casings,

contaminated local wells with high enough concentrations of methane that water coming from taps inside homes could be set on fire.

"These violations could have been prevented if DEP had conducted timely inspections, Mr. Schmidt said.

Other legislation awaiting action includes bills to place a one-year moratorium on issuance of all new Marcellus drilling permits and House Bill 2235, which would impose a moratorium on leasing more state forest land for drilling.

Andy Loza, executive director of the Pennsylvania Land Trust Association, said land trusts own and manage approximately 60,000 acres of land in the state and are impacted by the fast growth of drilling in the Marcellus Shale like other landowners.

"Any violation that impacts the environment is a matter of concern," Mr. Loza said. "I can't say that 952 violations is better or worse, but the violations shouldn't be happening. The report provides some basis for figuring out how to reduce those violations."

The report does not attempt to characterize whether the number of violations is high or to compare the violation number to other industries or drilling operations in other states. Such comparisons are also complicated by the expansion of DEP's oil and gas inspection staff from 21 to 126 in the past 18 months.

Kathryn Klaber, president of the Marcellus Shale Coalition, a lobbying and drilling advocacy organization that includes most of the companies operating in the Marcellus Shale, said the industry is tightly regulated and under more scrutiny than others.

"We will continue to work with regulators and other officials each day to ensure that Marcellus natural gas development is done effectively and environmentally responsibly," she said, "and in a way that continues to create thousands of jobs and affordable supplies of clean-burning, homegrown energy."

The Marcellus Shale formation underlies three-quarters of Pennsylvania and parts of New York, Maryland, Ohio and West Virginia, a total of 95,000 square miles, and contains as much as 363 trillion cubic feet of natural gas -- enough to supply the nation's gas demands for 10 to 15 years. It has the potential to be a lucrative development for the gas industry and land owners and support thousands of jobs, but there are environmental concerns focusing on the massive deep drilling operations, toxic chemicals used in the hydraulic fracturing process and water use and disposal.

DEP Secretary John Hanger agreed with Ms. Klaber that the violation numbers show the industry is regulated but also that it needs to improve its level of operation.

"We're not demanding perfection, but there has been too many leaks, too many spills, too many instances of gas migrating to water supplies," he said. "The industry on the whole needs to do a better job."

The Land Trust Association report, which complements a recent report that details 565 drilling violations in 2010, lists the natural gas drilling companies with the most violations from January 2008 through June of this year. Heading that list is East Resources Inc., based in Warrendale, with 138 violations at 140 wells; Chesapeake Appalachia LLC, headquartered in Oklahoma City, with 118 violations at 153 wells; Chief Oil & Gas LLC, headquartered in Dallas, with 109 violations at 45 wells; and Cabot Oil & Gas Corp. of Houston, with 94 violations at 60 wells.

The report also lists the companies with the highest number of violations per well drilled. JW

Operating Co., based in Addison, Texas, led the listing with 11 violations at its one Pennsylvania well. Drilling companies with more than one well and more than one violation per well included MDS Energy LTD of Kittanning, Armstrong County, with 6 violations at 2 wells; Pennsylvania General Energy Co. LLC, of Warren with 45 violations at 17 wells; Chief Oil & Gas LLC with 2.4 violations per well; and Cabot Oil & Gas with 1.6 violations per well.

Mr. Hanger said the report should, but doesn't, highlight companies that are "doing a good job" and have low numbers of violations per well drilled, including Anadarko E&P Co. LP of The Woodlands, Texas, which holds leases in the state's forests; Pittsburgh-based EQT Corp.; Range Resources of Fort Worth, Texas; and CNX Gas Corp., owned by Consol Energy headquartered in Cecil.

"These companies have a low number of violations per well drilled. They're doing something right," Mr. Hanger said.

"But the report does show there are real costs for hosting Marcellus Shale drilling. Even when there are no violations there are impacts on the environment. There is no such thing as zero impact drilling."

Because of those costs, Mr. Hanger said he is continuing to push for the Legislature to approve a severance tax on gas produced by Marcellus Shale wells. Such a tax, which almost all natural gas-producing states levy, could generate \$200 million a year.

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